

Appendix III

SUMMARY OF O.M.B. CIRCULAR A-133

“Audits of Institutions of Higher Education and Other Non-Profit Agencies”

This circular establishes audit requirements for institutions of higher education and other non-profit agencies receiving federal funds. Non-profit agencies that receive \$300,000 or more in a year in federal funds shall have a single or program-specific audit conducted for that year in accordance with government auditing standards issued by the Comptroller General of the United States. The circular encourages the use of small audit firms or audit firms owned and controlled by socially and economically disadvantaged individuals.

A. Scope

The scope of the audit covers three distinct areas wherein the auditor must determine:

1. The agency’s financial statements present fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles. Audits are to be performed in accordance with the GAO Government Auditing Standards and AICPA Statements on Auditing Standards..
2. The agency has an internal control structure to provide reasonable assurance that it is managing federal awards in compliance with applicable laws and regulations, as well as controls that ensure compliance with laws and regulations that could have a material impact on the financial statements. The auditor must obtain an understanding of the internal control structure and assess levels of internal control risk in accordance with statements on Auditing Standards.
3. The agency has complied with laws and regulations that may have a direct and material effect on its financial statement amounts and on each major federal program. The auditor must determine that recipients have identified in their accounts all federal funds received and expended and the programs under which they were received (i.e. fund accounting). This shall include funds received directly from federal agencies or indirectly, through other recipients. The auditor’s review must include the selection and testing of an adequate number of transactions from each major federal program. In making this test, the auditor must determine whether expenditures were for allowable services and records show that those who received services or benefits were eligible to receive them. In addition to transaction testing, the auditor must determine whether matching requirements, levels of efforts, and earmarking limitations were met; federal financial reports and the like contain information that is supported by books and records from which basic financial statements have been prepared; and amounts claimed or used for matching were determined in accordance with applicable cost principles or other federal regulations.

B. Reports

The audit reports shall state that the audit was made in accordance with the provisions of the circular and shall be made up of at least the following:

1. Auditor’s report on the financial statements and the schedule of federal financial assistance.
2. Auditor’s report on the internal control structure.

3. Auditor's report on compliance containing:
 - a. An opinion as to whether major federal programs were being administered in compliance with laws and regulations.
 - b. A statement of positive assurance with respect to those items tested for compliance relative to the financial statements, including compliance with laws and regulations pertaining to advances and reimbursements.
 - c. Negative findings of noncompliance including:
 - i. Size of universe in number of items and dollars.
 - ii. Number and dollar amount of transactions tested.
 - iii. Number and corresponding dollar amounts in instances of noncompliance.
 - iv. Identification of total amounts of questioned for each federal award as a result of noncompliance, where findings are specific to a particular federal award.
 - v. The auditor's recommendations for necessary corrective action.
4. All fraud or illegal acts, including all questioned costs found as a result of these acts, may be covered in a separate written report.
5. Recipients shall include comments on the auditor's findings and a plan for corrective action.

C. Audit Costs

Costs of audits made in accordance with the provisions of the circular are allowable charges to federal grants. The charges may be considered a direct cost or an allocated indirect cost determined in accordance with federal principles.

D. Audit Submission

1. The audit must be completed within nine (9) months after the end of the audit period.
2. The agency shall submit a data collection form which states whether the audit was completed in accordance with this circular and provides information about the auditee, its Federal audit clearinghouse. Forms can be obtained at www.harvester.census.gov/sac

NOTE: In order to ensure compliance to the greatest extent feasible, the Department of Neighborhood Services, City of Las Vegas, has established a policy which requires agencies receiving annual federal funding of \$50,000 or more for two consecutive years to submit an audited financial statement. The audited financial statement is due within six months after the end of the agency's second year.